

Message Text

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21

ACTION NEA-09

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 DODE-00 EB-07 FPC-01 H-02 INR-07 INT-05 L-02

NSAE-00 NSC-05 OMB-01 PM-03 SAM-01 OES-03 SP-02 SS-15

STR-04 TRSE-00 FRB-03 PA-01 PRS-01 USIA-06 SAB-01

XMB-02 /095 W

----- 115821

R 220732Z APR 75

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 2821

USDOC WASHDC

INFO AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMCONSUL DHAHRAN

AMEMBASSY JIDDA

AMEMBASSY MANAMA

AMEMBASSY MUSCAT

AMEMBASSY TEHRAN

USINT BAGHDAD

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E.O. 11652: N/A

TAGS: BEXP, ENRG, KU

SUBJECT: KUWAIT LPG PROJECT: SEVERAL EQUIPMENT CONTRACTS

AWARDED--U.S. FIRMS GENERALLY FARING WELL

REF: (A) KUWAIT 0818 (B) KUWAIT 0738 (C) KUWAIT A103 12/5/74

(D) KUWAIT 3819 (E) KUWAIT 3658

SUMMARY: U.S. AND FRG FIRMS UNOFFICIALLY TOLD THEY HAVE
WON EQUIPMENT CONTRACTS TOTALLING OVER \$30 MILLION FOR KUWAIT
LPG PROJECT. A THIRD TENDER VALUED AT OVER \$70 MILLION STILL
UNDECIDED BUT U.S. EXPECTED TO WIN MOST OF IT. NO

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ANNOUNCEMENT YET FORTHCOMING ON FIRMS PREQUALIFIED TO BID

ON THREE PROJECT CONSTRUCTION TENDERS AND NO ANNOUNCEMENT
LIKELY UNTIL PROJECT CONSULTANT BECHTEL AND GOK AGREE ON
FINANCIAL TERMS FOR CONSTRUCTION SUPERVISION CONTRACT.
ESTIMATES OF PROJECTS TOTAL COSTS HAVE BALLOONED. U.S.
FIRMS ARE EXPECTED TO DO VERY WELL. END SUMMARY.

1. GOK HAS TAKEN IMPORTANT STEP TOWARDS INITIATING LARGEST
NEW PROJECT IN KUWAIT, AWARDING EQUIPMENT CONTRACTS FOR TWO OF
THREE LONG-LEAD ITEMS TO U.S. AND FRG FIRMS. WHILE NO
OFFICIAL ANNOUNCEMENT LIKELY TO BE FORTHCOMING, WE UNDERSTAND
FROM GOOD SOURCES THAT APPROXIMATE KD6 MILLION (KD-\$3.50) CONTRACT
TO SUPPLY AND ERECT STORAGE TANKS AWARDED TO CHICAGO BRIDGE
AND IRON, WHILE APPROXIMATELY KD3 MILLION CONTRACT FOR SUPPLY
AND CONSTRUCTION SUPERVISION OF STEAM BOILERS WAS AWARDED FRG
FIRM OF STEIN-MULLER-LENTZ (PHONETIC). UNTIL VERY LAST WE HAD
RECEIVED REPORTS THAT FOSTER-WHEELER WOULD PROBABLY WIN CONTRACT
FOR BOILERS, AND WE NOT AWARE WHAT PRECIPITATED APPARENT
LAST MINUTE SWITCH. (INTERESTING TO NOT FOSTER-WHEELER RECENTLY
WON \$70 MILLION CONTRACT TO SUPPLY AND INSTALL NEW HYDROCRACKER
UNIT AT KNPC REFINERY).

2. THIS LEAVES EQUIPMENT PACKAGE FOR COMPRESSORS AND DRIVERS
BY FAR THE MOST LUCRATIVE OF THE THREE EQUIPMENT PACKAGES--
ITS WORTH BEING ESTIMATED AT OVER \$70 MILLION--STILL UNDECIDED.
ONE OF THE REASONS FOR DELAY IS BROAD RANGE OF SIZES OF BOTH
COMPRESSORS AND DRIVERS REQUIRED FOR PROJECT. WE UNDERSTAND
NO SINGLE COMPANY CAN REALLY SUPPLY PRODUCT FOR ALL SIZES
REQUIRED AND SEVERAL FIRMS EXPECTED TO GET CHUNK OF THIS
PACKAGE. COMPANIES ON WHICH WE HAVE HEARD FAVORABLE COMMENT
FROM MINISTRY OF OIL SOURCES INCLUDE COOPER-BESSEMER FOR
COMPRESSORS AND GAS TURBINES AND GE AND WORTHINGTON TURBODYNE
FOR LARGE SIZE (UP TO 40,000 H.P.) STEAM TURBINES. EMBOFF
ALSO TOLD BY DRESSER INDUSTRIES REP WHOSE DRESSER/CLARKE
DIVISION BIDDING AGAINST COOPER-BESSEMER AND OTHERS THAT THEY HAVE
BEEN TOLD BY PROJECT CONSULTANT THEY VERY MUCH IN RUNNING.
WE WOULD NOT BE SURPRISED IF THERE SEVERAL OTHER FIRMS WE
HAVE NOT HEARD ABOUT WHO GET PIECE OF THIS CONTRACT.

4. ON THREE CONSTRUCTION TENDER PACKAGES (SEE REF D), WE
ABLE DEVELOP LITTLE INFORMATION BEYOND THAT SUBMITTED IN
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REF A WHICH GAVE NAMES OF COMPANIES THOUGHT TO HAVE BEEN
PREQUALIFIED TO BID ON COMPRESSION, TRANSMISSION AND PRO-
CESSING CONSTRUCTION TENDERS. SINCE THAT TIME (MID-FEBRUARY)
BECHTEL REPS AND GOK OFFICIALS WORKING ON PROJECT HAVE
GONE TO LONDON AND RETURNED. SOME ASCRIBE DELAY IN ANNOUNCING
NAMES OF FIRMS PREQUALIFIED TO BID ON STILL ONGOING NEGOTIATIONS
BETWEEN PROJECT CONSULTANT BECHTEL AND GOK OVER FINANCIAL
TERMS FOR PROJECT SUPERVISION CONTRACT. AS OF NOW BECHTEL

STILL APPEARS TO HAVE VERY GOOD CHANCE TO WIN THIS MAJOR CONTRACT BUT GOK WILL BARGAIN HARD TO VERY END. UNTIL THIS MATTER SETTLED WE UNLIKELY GET OFFICIALS ANNOUNCEMENT OF FIRMS PREQUALIFIED, BUT WE HAVE REASON BELIEVE THAT UNOFFICIAL LIST PROVIDED US IN REF A (WHICH WAS PROBABLY NOT TOTALLY CORRECT EVEN THEN) HAS UNDERGONE SOME CHANGES DUE TO UNSATISFACTORY RESPONSES BECHTEL RECEIVED FROM SOME FIRMS TO QUESTIONNAIRES SENT THEM AND INEVITABLE INFIGHTING AMONG LOCAL AGENTS CLAMORING TO WIN SPOT FOR THEIR PRINCIPALS ON PREQUALIFICATION LIST.

5. COMMENT: WE UNDERSTAND MINISTRY OF OIL INTENDS TO TREAT ALL CONTRACT AWARDS IN LOW-KEY MANNER. BELIEVE THIS BECAUSE THEY IN SOME CASES GIVING CONTRACTS TO COMPANIES WHICH DID NOT SUBMIT LOWEST BIDS, WHICH UNUSUAL IN KUWAIT, BUT INSTEAD APPLYING MORE SOPHISTICATED CRITERIA WITH BECHTEL'S ASSISTANCE. OVERALL, WE WOULD EXPECT THIS TO HELP U.S. FIRMS. MINISTRY STILL TO SOME EXTENT SEEMS WEDDED TO GENERALLY FIXED-COST TYPE OF CONTRACTS AND THIS ALONG WITH INFLATION HAS PUSHED ESTIMATES OF PROJECT COST FROM ORIGINAL \$300 MILLION TO OVER \$600 MILLION. SOME KNOWLEDGEABLE OBSERVERS BELIEVE OVERALL COST COULD TOP A BILLION DOLLARS. ONE POSSIBLE COST SAVER FOR KUWAIT WILL BE USE OF KUWAIT METAL PIPES CO. LOCALLY PRODUCED PRODUCT. ALSO UNDERSTAND THAT KMPC MAY WORK WITH LEBANESE OR SIMILAR "CHEAP" CONSTRUCTION OTUFIT TO INSTALL PIPES. THIS STORY GIVEN SOME CREDENCE BY RECENT ANNOUNCEMENT OF FORMATION LOCAL PIPELINE ENGINEERIN FIRM IN WHICH KMPC IS LARGEST PARTNER.

6. JUST PRIOR TO TRANSMISSION THIS CABLE ARTICLE ON LPG PROJECT APPEARED IN ENGLISH LANGUAGE "KUWAIT TIMES" OF APRIL 22,NAMING CHICAGO BRIDGE AND STEIN-MULLER-LENTZ AS HAVING RECENTLY BEEN AWARDED EQUIPMENT CONTRACTS. ARTICLE LIMITED OFFICIAL USE

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CLAIMS THE TANKS WILL RANGE FROM 100,000 TO 500,000 BARRELS. IT FURTHER STATES THAT STEIN-MULLER CONTRACT CALLS FOR FOUR BOILERS WITH A CAPACITY OF 400,000 LBS PER HOUR. ALTHOUGH WE ORIGINALLY ASKED BY MINISTER SOURCE NOT TO RELEASE ANY INFORMATION REGARDING THESE CONTRACT AWARDS, INFORMATION ABOUT THEM MAY NOW BE TREATED AS UNCLASSIFIED. STOLTZFUS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CONSTRUCTION, EQUIPMENT, LPG, CONTRACTS
Control Number: n/a
Copy: SINGLE
Draft Date: 22 APR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GarlanWA
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975KUWAIT01749
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750140-0646
From: KUWAIT
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750429/aaaabazi.tel
Line Count: 161
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 KUWAIT 0818, 75 KUWAIT 0738, 75 KUWAIT A103, 75 12/5/74
Review Action: RELEASED, APPROVED
Review Authority: GarlanWA
Review Comment: n/a
Review Content Flags:
Review Date: 23 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23 JUN 2003 by ShawDG>; APPROVED <09 SEP 2003 by GarlanWA>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: KUWAIT LPG PROJECT: SEVERAL EQUIPMENT CONTRACTS AWARDED--U.S. FIRMS GENERALLY FARING WELL
TAGS: BEXP, ENRG, KU
To: STATE COM
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006